

Office of Elementary and Secondary Education Webcast

“Key Title I Fiscal Issues: Maintenance of Effort”

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Susan Wilhelm, Moderator, U.S. Department of Education, Title I Program Office:

The first topic we’d like to go into in detail is maintenance of effort. Sandy, could you start out by sort of flagging for us what the three or four main points of maintenance of effort are?

Sandy BROWN, Title I Program Office:

Well, first off, the maintenance of effort basically requires that a school district’s education expenditures must be at least 90% of the prior year amounts. Now it gets a little bit complicated in the statute as to what years you use for comparison. But, let’s say for example, for the school year we’re actually in now, 2004-2005, the comparison years will be school year 2001-2002 and 2002-2003. The law basically says the first preceding fiscal year and the second preceding fiscal year.

So, these are the two years that they would be looking at, the school district would be looking at this year in order to see if they maintained effort. And, as I indicated, the expenditures have to be at least 90% of the prior year amount.

Now, what happens if a school district does not maintain 90% of its prior year expenditures for the comparison years? What happens is that the state then must reduce the district's Title I allocations and also the allocations for the other covered federal programs, includes Title II, professional development, Title II, D, the technology program, and a number of other programs that are listed in the state statute. And the state has to reduce the allocations for those programs by the percent that the school district's expenditures fall below 90% of the prior year's level.

Now, I'll get into a little bit more detail a little bit later as to what's included in those expenditures and this sort of thing. Now, if a school district fails to maintain effort, there is a provision in the statute that allows for the secretary, or the Department of Education, to waive that particular requirement if there is, one: an exceptional or uncontrollable circumstance, such as a natural disaster, or something like that. Or, two: there's a precipitous decline in resources in that school district. Those are the only things, the only two elements that we can consider in waiving the maintenance of effort provision in the statute.

Susan WILHELM:

Kim, do you often see maintenance of effort issues when you're monitoring? Or is this something that people seem to have a good handle on?

Kim O'NEAL, Program Analyst, Monitoring and Audits Group, Title I Program Office:

I think this is one of those things where states, because it's been in legislation for many years, I think states really have a handle on maintenance of effort. And, it is my role, out in the field, to just make sure that they have a process in place for it. And, to go behind them to make sure that LEAs are maintaining effort, and where they are not, they reallocate those funds, and we will talk about reallocation later.

Sandy BROWN:

And to come back to an earlier point that we were making, again we are looking at state and local expenditures for education. Again, this ties into the idea that federal funds, Title I in particular, is an add-on to what the state and localities are supposed to be providing to their kids.

So, for example, in looking at maintenance of effort, the types of expenditures that are included would be expenditures for instruction, again, state and local expenditures at the district level, for instruction, administration, attendance, and health service, transportation of school kids, operation and maintenance of the buildings, and that sort of thing. Net expenditures to cover deficits for food services and student body activities.

Now, a couple of things that are expressly excluded from maintenance of effort purposes is of course, any federal funds. You don't include those. Things like community services,

capital outlay, debt service, and things of these sorts.

Kay RIGLING, Title I Program Attorney:

One thing I'd like to point out is that your point about excluding all federal funds, that's actually different from when a state calculates state per person expenditures for submission to the National Center for Education Statistics. There, the state would only exclude Title I funds and Title V, Part A funds. So, a state needs to be careful in making that distinction.

Susan WILHELM:

I think that's an important point, Kay. One other thing: who makes the determination, which entity is responsible for making the determination, the initial determination about whether a district, in fact, or schools have met maintenance of effort requirements?

Kay RIGLING:

It's actually the state's responsibility to determine annually whether a district has maintained effort. This is a precondition to receiving Title I funds. And, the way that the fiscal years work, that Sandy mentioned, districts should have final expenditures to report to the state, so that the state can make the maintenance of effort determination. And, again, it needs to do it annually. We have found in reviewing some state audits that the states were not always looking at this on an annual basis and they really need to do that.